

Government that Works!

NEW JERSEY DEPARTMENT OF THE TREASURY

LOCAL GOVERNMENT BUDGET REVIEW

CITY OF PASSAIC

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DECEMBER, 1994



GOVERNMENT THAT WORKS

OPPORTUNITIES FOR CHANGE

The Report of the City of Passaic Budget Review Team

New Jerseyans deserve the best government their tax dollars can buy. Governor Christie Whitman is committed to make state government smaller, smarter, and more responsive, by bringing a common sense approach to the way government does business. It means taxpayers should get a dollars' worth of service for every dollar they send to government, whether it goes to Trenton, their local town hall or school board.

Government on all levels must stop thinking that more money is the solution to their problems, and start examining how they spend the money they have now. The state's taxpayers cannot afford to keep sending money to their government. It is time for government to do something different.

There is no doubt that local government costs – and the property taxes that pay for them have been rising steadily over the last decade. Until now, the state has never worked with school districts to examine what is behind those rising costs. That is why the Local Government Budget Review Program was created by Governor Whitman and State Treasurer Brian W. Clymer. Its mission is simple: to help local governments find savings without compromising the delivery of services to the public.

The Local Government Budget Review Program fulfills a promise Governor Whitman made in her first budget address, when she offered the state's help to local governments looking to cut costs. This innovative approach combines the expertise of professionals from the Department of Treasury, Community Affairs and Education, with team leaders who are experienced local government managers. In effect, it gives local governments a management review and consulting service provided to them at no cost by the state.

To find those “cost drivers” in local government, the teams will review all aspects of the local government operation, looking for ways to improve efficiency and reduce costs. The team will also document those state regulations or legislative mandates which place an unnecessary burden on local governments, and suggest which ones should be modified or eliminated. Finally the teams will also note where a local government is utilizing “Best Practices” –cost-saving measures that other municipalities may want to emulate, and deserve recognition.

This intensive review and dialogue between local officials and the review team is designed to produce significant insight into what factors are driving the costs of local governments, and provide the necessary tools to bring meaningful property tax relief to the state.

THE REVIEW PROCESS

As part of the Passaic review, team members interviewed each elected official, as well as municipal employees, appointees and vendors providing services or products to the city. The review team examined current collective bargaining agreements, municipal audit reports, public offering statements, annual financial statements, ordinances and resolutions, and independent reports previously developed for the community. The review team visited each work site and observed the work procedures and operations throughout the municipal government to observe the work procedures and operations throughout the municipal government to observe employees, supervisors and department heads in the performance of their duties.

In general the review team received the cooperation and assistance of the staff; however, there were indications of an unwillingness to consider constructive change, or to accept the authority of management and the decisions of the governing body. Those officials, appointees and employees who remain skeptical of the need for change and improvement will present a continuing challenge for those committed to controlling the cost of government while continuing to improve the quality of services delivered to the taxpayers of Passaic.

**LOCAL GOVERNMENT BUDGET REVIEW
EXECUTIVE SUMMARY
CITY OF PASSAIC**

A. Municipal Court

Improvement in work flow and staff productivity pertaining to the current case load as well as an extensive backlog of old tickets and cases dating back ten years will lead to a collection of “account receivable” revenues totaling at least \$713,180.

B. Municipal Finance

Automation of all records and procedures to include budgeting, purchasing and ledger maintenance, as well as restructuring the work assignments and responsibilities, will permit a reduction in staff. In addition, interest income currently held in developer escrow accounts is available for immediate use in the Current Fund. The total budgetary impact is estimated at \$133,239.

C. Office of the Municipal Clerk

The fee schedule for licenses and permits issued by the municipal clerk are outdated and below the existing norms. Updating the fee schedule will yield an additional \$22,300 in revenue for the city in the next fiscal year.

D. Tax Collections

Aggressive efforts are needed to re-establish an acceptable collection rate on current year taxes, as well as a large amount of delinquent taxes. Foreclosures must be started on eligible properties, and Passaic should pursue short term solutions to ease the difficulty of collecting delinquent taxes on properties with environmental problems. A 3% increase in the current year tax collection rate and a 10% increase in the delinquent tax collection rate will yield an additional \$1,042,415 in revenue for the city and it will permit the council to reduce the reserve for uncollected taxes portion of the total tax levy.

E. Police Department

The sale of excess equipment, reduced court overtime, utilization of civilian personnel where possible and improved use of vehicles will yield a total budgetary impact of \$445,000.

F. Department of Public Works

Proper control of sick leave and overtime, as well as improved care and use of municipal vehicles, will lead to significant savings. Opportunities exist to consider competitive contracting for janitorial, shade tree and vehicle maintenance services, and an aggressive program to reduce the inflow/infiltration in the sewer system will lead to a major reduction in annual operating costs. The total estimated budgetary impact is \$749,655.

G. Municipal Library

It is estimated a \$400,000 reduction in municipal support of the library can be implemented without adversely affecting the operations and services provided by the two branches of the Passaic City Library.

H. Fire Department

Reduction in the excessive utilization of sick leave, which generates a large expenditure for unscheduled overtime, and utilization of civilian personnel would lead to a \$287,490 reduction in costs for the city.

SUMMARY

The total estimated impact of the budget review is \$3,793,279. Implementation of the recommendations contained in the report will give the governing body an opportunity to address much needed capital improvements, while simultaneously reducing the tax burden borne by the residents and business owners of Passaic.

**COMPARISON OF BUDGET APPROPRIATIONS, STATE AID AND LOCAL
TAX RATE WITH RECOMMENDED REDUCTIONS IN THE CITY OF
PASSAIC COST OF GOVERNMENT**

A. Municipal Court	\$713,180
B. Municipal Finance	\$133,239
C. Office of the Municipal Clerk	\$22,300
D. Current & Delinquent Tax Collections	\$1,042,415
E. Police Department	\$445,000
F. Public Works	\$749,655
G. Municipal Library	\$400,000
H. Fire Department	<u>\$487,490</u>
TOTAL	\$3,793,279
Total amount raised for Municipal Tax (FY94)	\$31,135,994
Savings as a % of Municipal Tax	12.2%
Total Budget (FY94)	\$58,325,416
Savings as a % of Budget	6.5%
Total Unrestricted State Aid (FY94)	\$8,009,589
Savings as a % of State Aid	47.4%

MUNICIPAL COURT – CITY OF PASSAIC

The municipal court judge and the court administrator are aware of the need to address the extensive backlog of old tickets and citations. The task of addressing the backlog must be addressed while the staff keeps up with the current workload resulting from citations issued by police officers and other staff responsible for enforcement of local ordinances. The court has a larger clerical staff than most municipal courts of similar volume. Despite this, a review of the monthly management reports indicate the following:

- A significant number of tickets issued during each month are not entered into the statewide automated data system within an acceptable time period (four days). When the statewide norm for ticket data entry (300 tickets per day) was applied to the total number of tickets issued in September 1994, the volume of data entry work did not exceed fourteen of the twenty one work days in the month. Despite this, 36% of the tickets issued in September were entered late. When this initial step is not completed on a timely basis, the likelihood of additional delays and workload problems increases.
- The monthly management report for September 1994, showed there were 26,028 tickets pending. Pending tickets are those that have had the initial data entry work completed but final disposition of the ticket has not yet occurred. (This total does not include the backlog of approximately 100,000 old tickets and cases not yet entered into the system.) Within the group of 26,028 pending tickets, there were 12,535 cases that have been eligible for a “Failure To Appear” (FTA) notice for fourteen or more days (a \$10 fine above the cost of the original citation), and 5,222 moving violation or parking cases for which warrants could be issued (another \$15 fine).

These high totals may be due to the fact that there has been an aggressive effort to complete the initial data entry process on the backlog of more than 100,000 old tickets; however, simply entering the ticket data does not resolve the backlog. Statewide procedures exist for processing or closing out every type of ticket. These additional steps must be completed in order for the backlog to be cleared entirely.

Based upon observation of the work procedures, analysis of the monthly management reports, discussion with members of the staff of the New Jersey Administrative Office of the courts and interviews with selected court personnel, the following recommendations are made:

- A. The court is encouraged to make full use of the resources available through the county and state office(s) of the courts, to critically evaluate the overall workflow and specific assignments of the clerical personnel so as to significantly improve their productivity. The state administrative office of the courts has developed a precise and effective series of steps for processing violations. Utilization of these “event management” procedures will improve the work performance of the staff so they will be able to keep up with current citations and violations as well as continue to address the backlog problem. The support services of the office of the courts are available upon request.

- B. Subject to review and approval by the appropriate personnel, Passaic should change the work schedule of some of its court staff so data entry work can be completed when the court office is closed.
- C. Officials should meet with the chief of police for the purpose of addressing the following:
1. Ensure timely turnover of citations to improve the likelihood of completing all data entry work within the prescribed four day period.
 2. Ensure maximum utilization of on-duty police officers for the purpose of swearing complaints, thereby relieving the court personnel of this task as much as reasonable possible.
 3. Eliminate the existing common practice of setting or re-setting the date and time of the initial court hearing when the officer issuing the citation will be on duty. Historical data shows a majority of defendants plead guilty or asks the court to appoint a lawyer then the case can be reset for trial. This change in policy should simplify docket scheduling procedures and result in reduced court time for police officers. If a court appearance by a police officer consumes an average of four hours of on-duty time, and 250 cases were disposed of through a plea of guilty without having an officer present, then an additional 1,000 hours per year would be available for tactical patrol, special traffic assignments, foot patrol and other traditional law enforcement functions. If 100 cases were disposed of without the need for police overtime, the cost of 400 hours of overtime (approximately \$15,000) could be eliminated.
- D. Dismiss all parking citations issued prior to January 1, 1985. The cost of processing tickets that are at least ten years old, the likelihood of collecting the fine, and the fact that Passaic must eliminate the entire backlog before it will be permitted to install the automated complaint system must be considered. While the authority to dismiss old citations rests with the municipal court judge, a council resolution supporting and endorsing the proposed action could be beneficial. It would show that the council supports the efforts to clear up the existing problem, and move forward with an improved court operation.
- E. Establish criteria for dismissal of local ordinance violations, such as cases older than a certain date, or cases predicated upon an ordinance that has since been amended; and then uniformly apply these criteria to the backlog. Here again, a resolution of support from the governing body could be beneficial.
- F. Reassign the task of completing monthly bank reconciliations to a member of the court staff or make arrangements with the finance officer to have a member of the finance staff complete the reconciliations. Implementing this recommendation will save approximately \$2,000 spent each year on outside clerical services. Implementing this recommendation also properly re-establishes the responsibility within the municipality.

- G. Make the bail account an interest bearing bank account and establish a regular schedule for transfer of the interest income and unclaimed bail to the municipality. Based on an average monthly balance of \$300,000, and a 2.5% interest rate, an additional \$7,500 in interest income can be generated each year.

None of the recommendations outlined above call for additional staffing. Utilization of the expertise available through the state office of the courts, and utilization of should personnel management policies and procedures should significantly enhance the productivity of the court staff.

It is also important to note that while a municipal court must not be evaluated on its revenue potential, the fact remains that as a result of citations already issued and entered into the automated data system, the following revenue potential exists above and beyond the face value of the tickets:

**12,535 Failure To Appear notices
@ \$10 \$125,350
** 5,222 Warrants @ \$15 each: \$ 78,330
\$203,680

In addition, if the average face value of a ticket is presumed to be \$20 then a receivable of over \$500,000 exists for the 26,028 pending tickets listed in the September 1994 monthly management report. This does not include the remaining balance of the backlog.

FISCAL IMPACT SUMMARY

FTA Notices	\$125,350
Warrants	\$78,330
Tickets – In Process	\$500,000
Bank Reconciliations	\$2,000
Interest Income	\$7,500
TOTAL	\$713,180

FINANCE OFFICE – CITY OF PASSAIC

The procedures for maintaining records, the working relationship with other departments and the amount and type of office automation are all indicators of opportunities for major improvement in the finance office. For example;

- The staff tries to maintain the required set of accounting ledgers manually, and another duplicate effort is made to maintain these same ledgers using the existing computer. Neither effort is complete or up to date. An unusually large number of ledger entries were made during the last month and the first day of the fiscal year.

- Quite often there is lag between the date when the finance officer certifies there are funds available to cover the cost of a purchase and the date when the expense is actually encumbered. These two actions must be simultaneous to avoid a major problem and to maintain accurate budgetary controls.
- Payments to vendors frequently occur several months after the vendor has provided the product or service and signed the required voucher. This problem exists for routine operating expenditures as well as major capital expenses.
- Work assignments overlap significantly between staff members and there appears to be little day-to-day supervision, follow up, or evaluation of the junior staff. While there is merit to dividing some tasks for the purpose of maintaining internal control, the staff itself admits to redundancies and duplication of efforts.

Accordingly, the following is presented for review and implementation:

1. The existence of two senior management positions should be reviewed. The descriptions of the major tasks and duties provided by the full-time finance officer and the full-time treasurer were remarkable similar. The need for this redundancy may be beyond the fiscal capability of the Passaic taxpayer. It is recommended:
 - A. The department be restructured to ensure there is a clear and effective chain of command;
 - B. The finance officer be recognized as the department head with sole authority and responsibility for the operation of the department
 - C. One management position, the full-time treasurer, be eliminated, thereby generating an annual savings of at least \$75,000 in salary and benefits.
2. The lack of proper, accurate automation of financial transactions and ledgers results in incomplete records and disjointed work assignments for the six clerical positions in the finance office. The inability to provide accurate, up-to-date financial data seriously inhibits the ability of the city to control costs, maximize investments and provide timely payments to vendors. It is recommended strong consideration be given to abandoning the existing, outdated computer system. A new system will simplify the work of the clerical staff; provide complete, accurate and timely data when used properly; eliminate the need to maintain time-consuming manual ledgers; and eliminate the dangerous time lag between approval of an expenditure and encumbrance of the budget. It is estimated a complete budget, financial ledger and purchasing system will cost approximately \$30,000. The cost of annual software updates and maintenance agreements are normally minimal.

An additional benefit to the automation of the financial records and purchasing process is the reduced need for experience in the detailed procedures of bookkeeping and accounting. Most of the posting entries on a ledger are done automatically or through

“batch” computer commands. The lack of bookkeeping knowledge and experience is seriously hampering the current operation.

3. Consideration should be given to removing all payroll and benefit functions from the finance office and reassigning them to the personnel department. This should enhance the opportunity for internal control, and it will streamline the work in the finance office. At present, at least four different clerks are regularly involved in payroll and benefit tasks which are normally accomplished by one full-time position in a comparable city. We recommend a benefit and payroll clerk position be created in the Personnel Department and two clerical positions be eliminated in the finance department. This will generate an annual savings of at least \$29,750 in wage and benefit costs.
4. It is recommended the job assignments and duties of the remaining clerical staff be reorganized to improve the work flow and efficiency of the finance office implementation of the recommendation regarding automation will simplify many of the current work tasks which would then permit the staff to concentrate on other duties such as bank reconciliations, monitoring investments, trust account management, and capital project record keeping.
5. We recommend that the time consuming redundancies in the purchasing process be completely eliminated. The delays in the processing of purchase orders is directly related to the fact a purchase order moves back and forth from purchasing to finance at least twice. The risk and the harm resulting from unintended over expenditures is too great to permit this problem to exist. It also makes it nearly impossible to accurately assess the status of any budget line or account. Once again, automation of a consolidated purchase order, and generate an accurate and timely expenditure report for the council agenda.
6. It is recommended council establish a written investment policy for the city. While Passaic has invested most of its idle funds, the current pressure on the taxpayer and the changing nature of the market makes it imperative that every effort be made to maximize revenues by utilizing the best investment vehicles given market conditions.
7. A review of the developer escrow accounts showed that \$58,489 in interest income due to the city is available for transfer to the current fund. There are no restrictions on the use of this revenue. It should be transferred to the current fund as soon as possible. The finance officer should make this transfer on a regular basis in the future.
8. It is recommended the finance officer participate in regularly scheduled meetings with the municipal court judge and the court administrator for the purpose of completing the transfer of unclaimed bail money to the current fund and transferring interest income from the bail account to the current fund. (See court recommendations.)
9. It is recommended the finance office support the municipal court by assisting with monthly bank reconciliations if requested. (See court recommendations.)

10. It is recommended the finance office assume all responsibility for reconciliation of bank records related to the self insurance fund. The role of the third party administrator should be limited to the management of claims and the reduction of costs associated with those claims. If for no reason other than to maintain a system of checks and balances, the fiduciary responsibility for management of the self insurance fund should not be delegated.
11. It is strongly recommended that the finance office provide records on a timely basis and assist in every way possible to expedite the completion of the special audit being conducted on the self insurance fund. A review of correspondence related to this project indicates the process has been unnecessarily hampered by delays in the scheduling of meetings and providing of records to the special auditors.

FISCAL IMPACT SUMMARY

Developer Escrow Account Interest	\$58,489
Purchase of Computer System	<\$30,000>
Eliminate One Management Position	\$75,000
Eliminate One Clerical Position	\$29,750
TOTAL	\$133,239

Notes: (a) The purchase of the computer system is an eligible capital expense; however, the entire estimated cost is shown above. (b) The savings from the elimination of only one clerical position is reflected. The savings from the second position is offset by the recommended creation of a new position in the personnel office.

OFFICE OF THE MUNICIPAL CLERK – CITY OF PASSAIC

All records requested by the review team were provided by the municipal clerk within forty-eight hours of the request. Resolutions pertaining to professional service agreements, contracts and other actions authorizing an expenditure were in order for the most part; however, there were several instances where the mandatory certification of funds by the Finance Officer had not been executed. This certification must occur prior to introduction of the resolution of ordinance permitting the expenditure of public funds.

In the future, the clerk the mayor and the members of the governing body must work together to insure that no action is taken until the required certifications have been completed. Certification of the availability of funds is of paramount importance as Passaic and other cities work to reduce the cost of government and operate on much smaller margins for error.

Nearly all of the fees charged for licenses have not been updated for ten or more years. Specifically, the fees for two of the three types of Alcoholic Beverage Control (ABC) licenses were particularly low. The cost of an ABC consumption (tavern) license is 30% of the authorized limit, and the cost of an ABC distribution (store) license is 18% of the authorized

limit. It is recommended the maximum allowable increase of 20% per year be adopted for each for the next two years to establish the following fee schedule:

	#Licenses	Maximum Permitted	Current Fee	1995	1996
Social Club	20	\$150	\$150	NO CHANGE	
Consumption	100	\$2,000	\$600	\$720	\$864
Distribution	25	\$2,000	\$360	\$432	\$518

The recommended change in fees will yield \$13,800 in 1995 and \$30,350 in 1996 over the total 1994 revenues for ABC licenses.

During 1994, approximately 40% of the dog owners were late in renewing the annual dog license. This is a disservice to the responsible citizens who obtain the license on time and it is a disservice to the staff who try to complete this annual task on a timely basis. Accordingly, it is recommended a \$5 late fee be instituted for 1995 and a \$10 late fee be adopted for 1996. The proposed late fee would generate an additional \$1,000 in 1995 and an additional \$2,000 in 1996 if the number of late applications remained unchanged.

The remainder of the city's fee schedule contains a series of unusually low fees. Many of them probably do not cover the cost of issuance. In addition, there appear to be some inequities among the different types of licenses and permits. For example, it costs an auctioneer \$50 per day for a license and it costs \$10 for a permit to sell Christmas trees, but an annual limousine or taxi driver renewal license costs only \$5 per year. It is recommended the entire fee schedule be updated and adopted in one consolidated ordinance. In every case the cost of the staff time and other expenses related to issuing a license or permit must be considered when setting a fee.

A 5% increase over the average of the 1992 and 1993 fee collections would yield approximately \$7,500.

FISCAL IMPACT SUMMARY

ABC License Increase	\$13,800
Late Fee – Dog License	\$1,000
Other Fee Adjustments	\$7,500
TOTAL	\$22,300

NOTE: The total impact identified above does not include the additional ABC license revenue for fiscal year 1996.

TAX COLLECTIONS – CITY OF PASSAIC

The tax collection rate for fiscal year 1994 was 89.95%. Based on the current net taxable valuation of the property in Passaic, for every 1% increase in the collection rate, the city will receive an additional \$134,000. An improvement in the collection rate to 93%, which the team believes is readily attainable, would generate an additional \$402,000 in current year tax collections. In order to achieve a better collection rate it is recommended the council endorse and actively support a detailed action plan to contact taxpayers by phone and/or mail to encourage timely payment of their tax bill. It would be beneficial to have members of the council visit with the largest taxpayers to explain to them the importance of paying their taxes on a timely basis.

It is important to note all of the standard procedures are being utilized by the staff to obtain timely collections. Simply put, a “full court press” is needed to re-establish an acceptable collection rate. It may be necessary to temporarily reassign staff from other offices to the office of the tax collector to make this project successful. Council action to support a special project to aggressively pursue collection of taxes should help get the attention of the 10% who do not to pay on time.

There are at least three advantages to improving the tax collection rate. First, the city will have more money available on a timely basis. This reduces the likelihood that tax anticipation notes will be needed, and the opportunity for interest income will be improved as a result of a better monthly cash flow. Second, the work load and costs of “chasing” delinquent accounts will be reduced. Third, an improved collection rate will give the council the chance to reduce the “Reserve For Uncollected Taxes.” This reserve must be collected every year as part of the municipal tax rate to cover the cost of providing 100% of the revenue due to the county and the school district.

In addition to a full scale effort to collect the current year taxes, additional attention must be given to the collection of delinquent taxes. Last year the collection rate on delinquent taxes was 72.48%. The total amount of delinquent taxes owed to the City of Passaic is approximately \$6,110,828. Since the school and the county have already received all of their revenue for past years, all of this delinquent tax revenue belongs to the City of Passaic.

The lag in delinquent tax collection may be due to the fact that Passaic has not foreclosed on a delinquent property for many years. Just as a special campaign should “wake up” people who are slow to pay the current tax bill, completing several foreclosures is sure to get the attention of many delinquent taxpayers. For every foreclosure and subsequent property auction that is completed, Passaic will eliminate one delinquent taxpayer and add a new current taxpayer. A 10% increase in the tax collection rate for delinquent taxes would generate an additional \$640,415. We believe that increase to be conservative and attainable.

In Passaic there appear to be a number of small properties on the delinquent tax list that will not be easy to remove through the standard methods of selling a tax lien or completing a foreclosure because of environmental problems. Since Passaic must pay the county and the school system

the full amount of taxes due on these properties based on their current assessed valuation, the city should consider asking the assessor or the county tax board to review the assessed valuation of these properties in light of the impact of environmental problems on market conditions.

Doing this will provide following significant advantages:

1. The Reserve For Uncollected Taxes can be lowered thereby reducing this portion of the overall tax rate;
2. The collection rate on current year taxes will increase;
3. The amount of cash paid out to county and the school district that is not offset by actual collections will be lowered.

FISCAL IMPACT SUMMARY

3% improvement in collection rate:	\$402,000
10% improvement in delinquent taxes:	\$640,415
TOTAL	\$1,042,415

CITY OF PASSAIC POLICE DEPARTMENT

UTILIZATION OF PERSONNEL/STAFFING LEVELS

Passaic has one of the largest police forces in the State of New Jersey. Unlike most other large departments, uniformed officers are working as dispatchers, administrative clerks, records clerks, etc. It is recommended twelve police officers be reassigned to law enforcement duties for which they have been trained and are being compensated, and all clerical and dispatch positions be filled with civilian personnel.

This suggestion can be phased in to avoid cost increases. As one officer resigns or retires, another officer can be removed from clerical or dispatch duties and reassigned to patrol, investigations, internal affairs, community policing, juvenile division, narcotics or any uniformed services division deemed to be in need of personnel. The reassigned officer can then be replaced by a civilian employee.

The total cost of wages and benefits for a new civilian employee will be less than half of the cost of an experienced uniformed officer. The long term savings will be approximately \$420,000 per year plus the difference in the cost of benefits. It is also recommended Passaic consider the following:

- A. Adopt an ordinance outlining the authorized number of **management** positions (chief, assistants, captains), **supervisory** positions (lieutenants, sergeants, detective sergeants), **line** positions (patrol officers, detectives, special officers) and **civilian** positions (dispatchers, secretaries, records clerks). After council establishes its policy

by adopting this ordinance, the chief can then develop a detailed table of organization and the administration can work with the chief to set specific staffing levels that do not exceed the budget allocation.

- B. If the current staffing level is more than the permitted number of positions, then it will be imperative to develop a specific reduction plan detailing target dates and strategies for reducing the staff to the allowable level(s).

UTILIZATION OF EQUIPMENT

Members of the review team observed unnecessary abuse of patrol vehicles. The most flagrant incident observed by the team occurred in the parking lot of the police department during a shift change. A parked patrol car was blocking another marked unit from leaving the parking lot. An officer backed his car into the parked unit to try to get enough room to leave the parking lot. When this did not work he intentionally drove over a curb to get out of the parking lot. This sequence could have been avoided by simply moving the patrol car that was in the way. There was nothing to suggest the officer had been dispatched to a call requiring a rapid response. After observing this event members of the team looked at a number of the patrol cars and found indications of abuse such as flattened oil pans, and a large number of “nuisance” dents and scratches that were beginning to show signs of rust.

While nuisance dents are not cause to remove a vehicle from service, they are a good indicator of the overall care and condition of the fleet. The combination of annual maintenance costs and reduced resale value of the vehicles resulting from their poor condition demands that attention be paid to this issue. We strongly recommend that the police department adopt and actively follow a policy stipulating that an officer is responsible for all damage to the vehicle as of the beginning of a shift, unless that damage is reported at the beginning of the shift. Damage occurring during a shift that can not be tied to legitimate police activity during that shift should then become an item for discussion and/or disciplinary action.

Even the best of police vehicles have a short life, particularly when they are used on multiple shifts. The average age of the patrol fleet in Passaic is nearly five years. The average age of an unmarked car is over eight years. Patrol vehicles used on more than one shift per day will normally log over 150,000 miles within four years of service. As mileage increases “down time” increases and reliability decreases. Accordingly, it is recommended specific criteria be adopted, by resolution if necessary, to identify vehicles eligible for replacement. A regular schedule of vehicle replacement must be established. Proper planning and sound purchasing will prevent the financial difficulties caused by having to replace a large number of vehicles in one year.

The police department currently has a large inventory of police light bars and safety “cages” for patrol cars. The large inventory results from the fact that when new police vehicles are ordered the light bars and safety cage are installed by the dealer. In the future, Passaic should purchase police cars without light bars, cages and other accessories. They can be purchased and installed separately when they are needed. It is an unwise use of public money to buy new light bars and cages every time a new patrol car is purchased as this equipment lasts much longer than the

average life of a patrol car. The existing inventory of light bars and cages should be sold after being declared surplus property by the council. A conservative estimate of the value of the inventory of light bars and cages is at least \$10,000.

FISCAL IMPACT SUMMARY

Utilize civilian personnel:	\$420,000 (long term savings)
Sell/auction excess equipment	<u>\$10,000</u>
SUBTOTAL	<u>\$430,000</u>
Reduced overtime due to changes in court docket procedures	<u>\$15,000</u>
TOTAL	\$445,000

DEPARTMENT OF PUBLIC WORKS – CITY OF PASSAIC

CONTROL AND MANAGEMENT OF EMPLOYEE TIME

The labor intensive nature of Public Works assignments makes it necessary to have good systems in place to properly control and accurately record regular work time, overtime and sick leave. In addition, supervisors and department managers must take an active role in preventing abuses or be held accountable for their actions. Outlined below is a summary of the findings related to sick leave and overtime.

Sick Leave

The average DPW employee uses 12.34 out of the 15 sick days allotted per year.

The twenty most frequent users of sick time have earned more than 2,700 sick days during the course of their career and have used all but 5.5 days of their allotted time. Very little, if any, of the sick time has been utilized to recover from a catastrophic illness or a major off-duty injury. Most of these 20 employees use ten of their fifteen sick days during the first four months of the year.

If DPW employees reduced their use of sick leave to ten days to two weeks per year the result would be equal to a \$30,000 gain in productivity, or one extra employee. It is also reasonable to project that the need for overtime assignments would be reduced, although there is no effective way to assess this given the records and information regarding overtime assignments.

The following recommendations are made:

1. A concerted effort be made during the next round of collective bargaining to reduce the annual allotment of sick days. There is no reason to maintain the high number of sick days of abuse of this benefit continues unchecked.

2. Disciplinary action should be pursued promptly and aggressively against those found to be abusing the system. The short term costs associated with disciplinary hearings should be more than offset by the long term gains in productivity.
3. Supervisors should be held accountable for the actions of employees assigned to them. Supervisors must support the effort to end the abuse of sick leave or face disciplinary action themselves.
4. The business administrator must ensure that all policies and procedures related to the use of sick time are followed by the senior personnel in the public works department.

Overtime

There is no control on overtime by supervisors, nor is there any effort made to verify the accuracy of overtime listed on a time sheet. Overtime results from recycling, sewer line problems and miscellaneous activities.

Recycling Overtime

- Over half of the DPW staff earned an average of seventeen hours overtime every pay period prior to the privatization of recycling. During the period between the decision to privatize recycling and the date when the private vendor took over the recycling duties the amount of overtime increased tremendously.
- None of the eight positions in the recycling division nor the twelve street division personnel who regularly supported recycling were eliminated when the private recycling contractor took over. If eight out of the twenty positions regularly assigned to recycling were eliminated, the city would save at least \$254,000 per year in wages and benefits paid by the employer.
- Also directly related to privatization of recycling, the city retained a 31 cubic yard compactor truck used exclusively for recycling. This vehicle can now be auctioned. Used vehicles of this type should bring approximately \$40,000 through an auction sale.

Overtime Resulting From Sewer Line Problems

- The city is obligated to respond to complaints and calls regarding service line problems even if these calls occur at night, on weekends or on holidays. The established policy states one person is to go out initially to determine whether the problem is in a public or a private line. On every occasion between June 27, 1994 and October 16, 1994, two personnel went out on each sewer call. If the established policy were followed, 30 hours of overtime per pay period could be eliminated and the city would save at least \$17,550 per year in overtime and benefit costs.
- On weekends, evenings and on holidays the Passaic Fire Department dispatches public works personnel in response to a call from a citizen complaining of a sewer problem. Under their labor contract, public works employees are guaranteed four hours of overtime

pay for each all-out. The fire department completes a log sheet for every call they receive. The sewer division does not pick up these sheets. When the review team compared the log sheets with the time sheets for a four month period, the following was found:

1. During that period there were eight instances where time sheets where time sheets were “adjusted.” Citizen calls that came in during the four hour call-out period were listed on time sheets as having come in after the call-out period was over. This resulted in the city paying an additional four hours of overtime per employee each time this occurred.
2. There is an extremely frequent and statistically improbable number of sewer back-up calls coming in at 2 and 4 hour intervals. During nearly every pay period it is not unusual to find an employee being paid 21 hours in a single day or 50 hours in a three day period because sewer back calls occur just after a call out period has ended. The legitimacy of many of these calls was questionable.
3. Over a four month period there were 34 cases where the fire department had no log of an overtime sewer call, but sewer division employees received overtime pay. On several of these calls, the same address is used repeatedly. Given the established routines in the fire department, it is highly unlikely, if not impossible, that 34 calls were not logged. It is also highly unlikely that 34 overtime calls were dispatched through some other mechanism during evenings or on holidays or weekends. No records or procedures to support these calls could be found.
4. Sewer division employees were paid overtime for sewer back-up calls when they did not work during the regular day, and calls near the midnight hour resulted in two call out blocks of time. For example, if a call came in after 10:01 p.m. on a weekday or 8:01 p.m. on a weekend the employee would list the minimum four hour call out period on two days for the same sewer work.

Given the age and the condition of the Passaic sewer system there is no doubt that there are legitimate overtime calls to solve sewer line problems. But the age of the system does not mean that every overtime entry appearing on a timesheet should be approved. During the four month period checked by the review team, there were 2,206 hours of overtime paid due to sewer line problems on weekends and during the evening. At least 441 of those hours appeared to be at least questionable, if not overtly fraudulent. If 80% of the excess overtime was eliminated, Passaic would save approximately \$32,295 in wages and other costs. The potential for savings may be even greater, as the sewer division overtime averages \$6,000 per pay period or \$156,000 per year.

Miscellaneous Overtime

The review team found the following patterns or trends:

- Large amounts of overtime appeared to be used for routine tasks without explanation as to why the work could not be done during the regular work day.

- Overtime for routine tasks often occurred on a Sunday when the city pays a double time rate rather than on a Saturday when time and a half would have been paid.
- Four hours of overtime occurs every Saturday for street sweeping in the business district. A strong effort should be made to eliminate the current constraints in the union contract preventing the city from modifying the work schedule to eliminate the overtime costs.
- Miscellaneous overtime legitimately covers odd assignments and unusual events; however the nature of the work suggests there needs to be a very tight control at the department head level. The review team found at least one instance where one employee earned overtime from two different divisions at the same time.

Miscellaneous overtime averages \$3,800 per pay period or \$98,000 per year. Better management of employee time, better auditing of time sheets and improved flexibility in the scheduling of regular work hours should reduce this type of overtime by at least \$53,825 in overtime and benefit costs paid by the city.

CARE AND USE OF MUNICIPAL VEHICLES AND EQUIPMENT

The disregard for the care and maintenance of publicly owned equipment was readily apparent to the members of the review team. Actions occurred in the presence of the review team members which clearly suggests this indifference in the norm. The following observations were made.

- Two salt spreaders which have been inactive since April 1994, still had salt in them. The resulting corrosion is certain to shorten the life of the equipment significantly.
- Basic operational and safety checks, known as CDL safety checks, are not done regularly by the drivers of the vehicles. This may be due to the fact the department is carrying personnel who do not have a CDL license or who have lost their driving privileges. There are no records of past CDL checks. This hampers the city's ability to limit its liability.
- Clutches, tires and other parts susceptible to wear and tear have to be replaced much sooner than the normal life of the repair part. (One truck required two new clutch assemblies in one year.)
- The condition of three street sweepers was checked. One had a rug wrapped around the broom arm of the vehicle, on the driver's side which had not been removed. Another one was completely void of grease. If the vehicle operator does not take care of these simple issues, the life of equipment is sure to be shortened and the costs of maintenance and repair work will increase.

If 4% of the 1994 "other expense" budget line for public works was saved through reduced repair costs and extended life of the equipment, then the city would save \$13,360 per year.

UTILIZATION OF PUBLIC WORKS PERSONNEL

From December 1993 through September 1994, the three line workers assigned to the shade tree crew were assigned to a special crew dedicated to filling potholes. While there is little doubt this work was needed, it does demonstrate that Passaic does not need to maintain a full time shade tree crew consisting of three workers and one foreman. If only two junior positions were eliminated, the savings to the City of Passaic would be at least \$55, per year.

Janitorial services in municipal buildings are completed by a five member crew at a labor and benefit cost of approximately \$165,100 plus overtime. Current public contracts for janitorial work range from \$.75 per square foot to \$1.75 per square foot. A private contract to clean the 79,700 square feet located in the city hall, police department, municipal court, public works offices and the senior citizens center at the rate of \$1.75 per square foot Passaic would save approximately \$25,625 per year.

The city did consider privatizing vehicle maintenance early in 1994. Apparently the primary reason for not adopting the proposal is that it did not cover vehicle abuse, misuse or operator accidents. If noting else, this is an indication that council was aware of the problems observed by the review team. Council should reconsider the option of privatizing vehicle maintenance as soon as the problem of neglect and misuse of vehicles is addressed through training sessions, written directives, and stern discipline as necessary.

UTILITY EXPENSES

Comparison of water consumption information with sewage treatment data confirms what was suspected in 1957 and identified in the 1983 Killam Report – Passaic has a major inflow and infiltration problem in its sewer lines. The total amount of water being billed is less than the total amount of sewerage being treated. This is opposite from what should occur. Based upon the most recent bills, it is estimated Passaic is paying approximately \$850,000 per year in treatment costs for inflow and infiltration alone.

The 1983 Killam Report stated that a field survey had:

...located the sources of approximately 2,742,550 gallons per day (GPD) of infiltration. About 2,592,000 GPD was attributed to 414 sewer reaches which had a total of 103,619 linear feet of sewer. The total leakage from service connections was significant, being about 397,600 GPD... Approximately 150,550 GPD of infiltration was discovered in 37 manholes. (page IX-1)

Accordingly, it is recommended an aggressive program be initiated to replace or re-line all gravity fed sewer lines utilizing the following schedule of priorities:

- A. Known trouble spots
- B. Largest lines first, followed by smaller lines

- C. Lines closest to the river and/or lines located at the lowest elevations in Passaic (presumably where the underground water tables are the highest.)

Related to item "A" above, the city receives updated information every time a sewer back up call is received. This data should be given to the engineer and it should be plotted. (1) Given the age of the system, (2) the building density and the population density of Passaic, (3) the need to make rapid improvements and (4) the likelihood of high water table problems in portions of the city, serious consideration should be given to re-lining the existing pipe. If water table problems exist, and if large quantities are bid at one time, the cost of re-lining an existing pipe may be less than the cost of replacing it. In addition to the cost benefit considerations, the impact on flow and capacity of the lines will have to be addressed by a professional engineer, and consideration should be given to minimize the disruption that would occur if pipes were completely replaced.

While Passaic will have to absorb the cost of this capital improvement, it will reduce the annual operating cost of paying for treatment of inflow and infiltration. In our opinion, the long term benefit of this investment will out weight the capital cost. Passaic should aggressively pursue federal and state grants to support this project.

OTHER IMPROVEMENTS

Passaic has replaced about 75% of the parking meters in the city over the last two years. Revenue from these new meters is up. If the rest of the old meters were replaced it is reasonable to expect that Passaic will get an additional \$8,000 in parking meter revenue.

FISCAL IMPACT SUMMARY

Direct Reductions in Annual Operating Costs:

Eliminate recycling positions	\$254,000
Control sewer overtime	\$49845
Control miscellaneous overtime	\$53,825
Reduce vehicle repair costs	\$13,360
Eliminate two shade tree positions	<u>\$55,000</u>
SUBTOTAL	\$426,030

Additional Revenue:

Auction compactor truck	\$40,000
Additional parking meter revenue	<u>\$8,000</u>
SUBTOTAL	\$48,000

Indirect Cost Reduction:

Janitorial Services Contract	\$25,625
Net Reduction in Sewer Inflow	<u>\$250,000</u>
SUBTOTAL	\$275,625
TOTAL	\$749,655

MUNICIPAL LIBRARY – CITY OF PASSAIC

Current state statutes contain a specific formula for establishing the minimum appropriation by a municipality to the library. In Passaic the mandatory allocation is just under \$500,000, yet the city allocated \$1,150,000 in fiscal year 1994 and has a proposed allocation of \$1,177,000 in the fiscal year 1995 budget. These totals do not include the cost of benefits absorbed by the city which is at least \$165,000 per year.

Commonly accepted measurements of the staffing level and the service provided by a library can be obtained from the data in the annual report submitted by every library to the state. The data includes the circulation per capita (2.2 in Passaic), circulation per volume (.86 in Passaic), professional staff time (11,000 hours) and the number of full time positions (22). During the 11,000 hours of work by the professional library staff in Passaic, a total of 32,936 transactions occurred that involved selecting items, cataloging items or providing a reference citation. This equates to fewer than three transactions per hour.

All of the measures contained in the table below indicate that use of the library is minimal at best and the number of full-time positions is larger than other similar libraries. The full-time positions include three maintenance personnel and 1.5 general administrative positions for responsibilities such as payroll. The fiscal 1993 audit showed a net increase in cash resulting from revenues in excess of expenditures of \$206,701. As of June 30, 1993, the library had an unrestricted fund balance of \$407,317.

LIBRARY USE DATA AND STAFFING PATTERNS

	PASSAIC	REGION II	POP 50K TO 99K	BUDGET 1M TO 1.9M
Circulation per Capita	2.2	7.4	4.1	7.3
Circulation per Volume	.86	1.6	1.8	1.4
Professional Staff	5.7	2.9	5.0	10.3
Full-Time Positions	18.0	10.9		28.6

There is no debate that a strong and effective library is an invaluable asset to a community. There is also no question that municipalities must maximize the use of the citizens' tax dollar. Based upon the data provided above, the following recommendations are made:

1. The city lower its contribution to the library by at least \$400,000. It is possible to provide significant tax relief to the taxpayers without adversely impacting on the delivery of library services.
2. The library eliminate all general administrative functions that overlap with regular, ongoing administrative procedures of the city. For example, there is no need for the

library to maintain its own maintenance staff. The labor and benefit cost for the three maintenance positions is approximately \$83,820. Based on a contract price of \$1.75 per square foot, a competitive price for janitorial services would be \$47,600. The potential savings is \$36,220.

3. The library raise the late fine from \$.05 per day. There is no data to suggest the charge for late return of books hampers or discourages the use of the library.
4. The library board undertake a critical assessment of the staffing needs of the library. Given the relatively low measure of library use and the need to maximize the use of the tax dollar, the review team strongly questions whether the current staffing level of over eighteen full-time position is needed.
5. The library board actively pursue donations and gifts. Every library will always face the dichotomy of being labeled a basic service for which it is entitled to receive tax support, and a special service attending to a special interest. The best possible way to address this is by obtaining a balance between tax support and additional financial support from friends of the library.

Given the fact that budget deliberations for fiscal year 1996 will not start for four to six months, a strong argument can be made that the library can successfully accommodate the proposed reduction in the allocation provided by the city, make significant improvements in the utilization of its financial resources, and enhance the quality of the library services provided to the citizens of Passaic at the same time.

(MINICIPAL) FISCAL IMPACT SUMMARY

Reduction In budgetary allocation: \$400,000

PASSAIC FIRE DEPARTMENT

The Passaic Fire Department has made a number of changes over the last year that should reduce the cost of the service for the taxpayers of Passaic. They have also undertaken inspection work previously done by the state that will yield additional revenues totaling approximately \$140,000 per year for the city. During the course of the review, the team identified three areas that deserve careful scrutiny and consideration by the management of the fire department and the governing body.

The Passaic firefighters currently work an average of 91 shifts per year. Each shift is 24 hours. The staffing level for line personnel is essentially the same for every hour of the day. Although requested, a fire call history was not provided to the review team. The team's objective in asking for this information was to determine whether legitimate justification existed to suggest a modification to the current scheduling pattern. The decision to have the same level of staffing all the time and the need to have every piece of equipment staffed all of the time deserves to be reviewed and discussed.

Passaic has agreements with neighboring fire departments to provide support and assistance for those infrequent and unusual times when additional personnel are needed rapidly. It is

conceivable that a comparison of staffing levels with fire call patterns could lead to any or all of the following:

- A. Reconsideration of the number of line personnel needed.
- B. Modified scheduling practices so as to provide more effective and efficient utilization of personnel and equipment.
- C. Reduced overtime costs due to the fact that replacements for personnel out on sick leave or vacation may not have to be brought in for an entire 24 hour period.

As noted above, firefighters work a 24 hour shift. The terms of the current collective bargaining agreements states each firefighter accrues 15 days or 360 hours of sick leave per year. This represents 16.48% of a firefighter's scheduled work time. When vacation is added to this it is possible for a firefighter to be absent from work with pay for 25% of the scheduled work time in a year.

Police officers earn 120 hours of sick leave per year (15 days, eight hours per day) and most other full-time municipal employees earn 112.5 hours per year (15 days, 7.5 hours per day). If the sick time allocation for firemen was reduced to 120 hours per year the liability for wages paid for "other than work" hours would be reduced significantly.

As of November 18, 1994, employees of the fire department had consumed 921 days or 22,104 hours of sick leave during the year. Nine members of the department had consumed 40 or more sick days, while an additional twelve employees has used between 11 and 24 sick days this year. Because of the large annual allocation of sick days and the fact that sick days can be accumulated from year to year, it is possible to build up a tremendous surplus of unused days. Firefighters nearing the end of their career can use a lot of sick leave and still qualify for the entire \$18,000 sick time buy back when they retire. This is occurring in the Passaic Fire Department.

The ten firefighters who retired in 1994 took an average of 28.1 sick days, which was approximately half of the days they were scheduled to work before they retired. Among the 28 firefighters with 20 or more years of service who had not yet retired, the average number of sick days taken during the first ten months of 1994 was 11.75. The 65 firefighters with less than 20 years of service averaged 4.78 sick days. It appears the firefighters approaching retirement are shedding surplus days through sick time abuse.

The overall average for sick time use among the entire department is seven days per year. If this average was reduced by 3 days per year the productivity gain would equal \$133,920 per year (3 days x 24 hours x \$20/hr x 93 firefighters = \$156,240).

In addition to the loss in productivity and the cost of overtime, officer differential payments are made. If an officer is not work due to sick leave, the replacement is going to earn overtime and probably also earn differential pay because the pool of replacements are usually a lower rank. Approximately \$62,500 is budgeted for officer differential pay. If overtime use is cut in half among the senior firefighters, then officer differential pay can be reduced by \$31,250.

The fire department currently has four positions dedicated to dispatching. All four positions are filled by firefighters. It is recommended all dispatching be done by civilian personnel, and the firefighters be returned to line duty for which they have been trained and for which they are compensated. The difference in the cost of salaries and benefits between four firefighters and four civilian dispatchers would save Passaic approximately \$100,000 per year.

FISCAL IMPACT SUMMARY

Utilize civilian dispatchers	\$100,000
Reduce officer differential pay	\$31,250
Reduce overtime through control of sick leave	\$156,240
TOTAL	\$287,490

GENERAL COMMENTS – CITY OF PASSAIC

Previous sections of the report have outlined specific opportunities for constructive change and reduction in the cost of government. Implementation of the recommendations will give the governing body the opportunity to reduce the municipal tax rate without reducing services and still be able to fund much needed capital improvements. The review team has identified seven general themes, that if addressed will contribute to controlling the increase in the cost of government in the future.

1. It is strongly recommended the management of all work time, including vacation and sick leave, be computed in hours rather than days. The significant disparity between the definition of a day for a firefighter, a police officer and other municipal employees has been made in the report.
2. Orderly and thorough capital improvement planning must be completed as soon as possible. The current annual expense to pay for the treatment of sewer inflow and infiltration is an excellent example of what happens when capital plans are not adopted and implemented. Project priorities must be established, preliminary implementation phases identified. Passaic must make every effort to ensure that the sequence of capital projects maximizes the use of the taxpayers money.
3. It is imperative all matters pertaining to the Self Insurance Fund be resolved as quickly as possible, and that systems be put in place to closely monitor the claims and expenditures charged against the fund. The recent set of bids for managed care costs clearly show that there are opportunities to control expenses. Passaic's effort to establish managed care costs through the competitive bid process may be the first of its kind in the state.
4. As discussed in the report, it is essential that Passaic aggressively pursue automation of the finance, accounting and purchasing procedures. Not only will this reduce the workload and pressure resulting from incomplete records, it will enable the governing body, the administrator and department heads to begin projecting future costs and revenues for upcoming years.

5. Every effort must be made to resolve the public relations and credibility problem resulting from extended delays in providing payments to vendors and contractors. A strong argument can be made that the excessive delays in making payments are leading to increased prices for goods and services.
6. The effort to move to centralized, consolidated dispatching should be accelerated as much as possible. Not only will this lead to significant cost savings as outlined in the report, it should lead to an improved response to citizen calls and the development of an excellent data base on the time and types of calls received by the city.
7. Last, and potentially most importantly, every effort should be made to improve staff training in technical and general areas. For example, data from other municipalities clearly shows that regular safety training sessions will lead to reduced workers compensation claims, which in turn leads to reduced insurance costs and enhanced productivity through a reduction in lost time. Other forms of job-related training should enhance the flexibility of the staff and potentially lead to a reduction in grievances resulting from employees being assigned new or different tasks.

OPPORTUNITIES FOR COMPETITIVE CONTRACTING – CITY OF PASSAIC

The rising cost of government has made it necessary for every elected official and staff member to seriously consider what can be done to reduce the pressure on the taxpayer without making drastic reductions in the services being provided. The goals of reducing costs, while simultaneously maintaining services, can be achieved through reintroducing marketplace competition at all levels of government.

Governing bodies have an obligation to ask the question: “Can the services our constituents receive be provided in a more economical way?” Part of the answer to this question must address the costs of changing from the current method of service delivery to any proposed new method of service delivery. Based upon the analysis of the current costs and the quality of the services being provided, it is the recommendation of the Local Budget Review Team that Passaic give serious consideration to pursuing competitive contracts in the following areas:

- ** Janitorial and light maintenance services
- ** Tree pruning and stump removal
- ** Vehicle maintenance and repair
- ** Street sweeping

Competitive prices should be obtained for these services to establish the market value or cost of the service. Public employees should be challenged to produce a comparable price. Clearly, the public should not be paying an inflated price for services nor should anyone assume that public employees cannot compete in the marketplace.

JANITORIAL AND LIGHT MAINTENANCE SERVICES

The city retains five full-time positions and the library retains three full-time positions to complete the task of cleaning the public buildings and making minor repairs. The labor costs and the potential savings for each department are identified in the library and public works sections of the report. The total estimated area of the municipal complex, the public works offices and the two libraries is 106,900 square feet. Based on the unit price cost of \$1.75 per square foot, which is the upper end of the range of existing public contracts for janitorial work, the market place value for this service would be approximately \$187,075. This should be the maximum amount budgeted for janitorial services in the City of Passaic.

TREE PTUNING AND STUMP REMOVAL

The fact that the city's entire shade tree crew was reassigned to the crew dedicated to pothole repair clearly points to the need to consider the value of retaining a full time positions for shade tree work. Public Service Electric & Gas Company, which has as great a need for tree work as any municipality, contracts out all of this work. Their contract include provisions to handle emergencies. In addition, the city can use other public works personnel during an emergency when regularly scheduled work would not be undertaken. It is reasonable to expect competitive bids for pruning of shade trees along the public rights of way can be obtained for less than the current labor costs. In addition, the city would no longer be responsible for the disposal costs.

VEHICLE MAINTENANCE AND REPAIR

As discussed in the public works section of the report, it is recommended Passaic reconsider the decision to pursue a competitive contract for maintenance and repair of the municipal vehicles. In this case a strong argument could be made that even if the total cost was the same, an aggressive preventive maintenance program could be instituted, accurate records on the cost of repair per vehicle would be maintained, and there would be no tolerance of vehicle misuse.

STREET SWEEPING

The total cost of street sweeping includes the labor for the equipment operators, purchase and maintenance of very expensive capital equipment, the cost of parking restriction enforcement, the productivity lost when a vehicle must be towed, and the cost to dispose of the waste collected by a street sweeper.

Passaic may wish to consider pursuing a competitive contract to simplify the entire process. Elimination of the capital cost, the repair cost and the cost of proper disposal should be particularly attractive to the city. In addition, it is reasonable to expect that much of the street sweeping work in non-residential areas can be done in off hours, when one police officer can be assigned to issue the tickets for parking violations and/or arrange for the towing of illegally parked cars in the areas designated for cleaning.

ISSUES FOR STATE REVIEW AND CONSIDERATION

During the course of the review, four issues were identified that deserve to be reviewed by the state. Each of them would have a potentially significant impact on the city of Passaic. The four issues are:

- ** Civil Service reform;
- ** Timely reimbursement for approved reimbursement for grant projects;
- ** Paying for environmental clean up work;
- ** Delays and constraints in the tax appeal process;

CIVIL SERVICE REFORM

Based upon discussion with members of the governing body as well as members of the staff it appears that the job description or work assignment process warrants consideration and review.

The Passaic officials described an inflexibility of job descriptions and a difficulty in reassigning tasks and responsibilities as a result of a reduction in staffing or the reorganization of a department. The difficulties and tensions surrounding change are sufficient to create a major challenge for every municipal government. Consideration should be given to identifying ways to resolve the perceived difficulties resulting from regulations, without weakening the basic protections to which a municipal employee is entitled.

TIMELY REIMBURSEMENT FOR APPROVED GRANT EXPENDITURES

While not an issue at the moment in the City of Passaic, a concern was raised repeatedly over the lag in receiving reimbursements for construction projects underwritten by approved grants, such as Department of Transportation road project grants and Green Acres projects. The delay, which in some cases has been for an extended period of time, gap between payment to contractors for completed work and receipt of grant reimbursements. As interest rates rise, the cost of this short term debt will increase proportionately.

Consideration should be given to revising the reimbursement process to permit a municipality to receive 25% of the approved construction contract amount or 25% of the grant amount, whichever is less. This would occur upon certification that a construction schedule has been submitted and approved by the municipality, and construction work has actually started. An additional 25% of the project cost or grant amount should be forwarded to the municipality as soon certification is received that the project is 50% complete. The balance of the amount due would not be paid until the project is complete and all of the required inspections are complete and documents are in order.

PAYING FOR ENVIRONMENTAL CLEAN UP WORK

Legislation adopted in 1993 permits a municipality to assign through an “automatic judgment” the costs of environmental clean up work to the former owner on foreclosed properties. The

intent of the legislation was to reimburse a municipality for the cost of completing the environmental clean up of a site. It is reasonable to expect the strategy and mechanism outlined in the legislation could be useful for a major industrial site owned by a corporation or an entrepreneur. It would also be reasonable to expect a municipality to take the risk of being reimbursed if major economic improvements will occur as a direct result of the cleanup; however, this is not always going to be the case.

During a time when considerable pressure is being placed on municipal governments to reduce the burden on the local taxpayer, it is unlikely that local funds will be made available for environmental clean up work. In short, a municipality may not be able to afford to make progress even though the long term benefits are undeniably good. If the situation in Passaic is typical of the situation throughout the state, many smaller sites exist that need to be cleaned with little chance the cost can be recovered from a former owner. If the former owner could not pay the municipal tax bill on a small piece of property that ultimately led to a foreclosure, then it is unlikely they will have the assets and resources to pay a lien or judgment.

Just as most economic growth occurs through improvements in small businesses, environmental clean up work may well be accelerated through elimination of problems on many small sites if the right combination of incentives, protections and funding mechanisms can be developed.

THE TAX APPEAL PROCESS

The report of the local budget review team completed for the Town of Kearny identified several changes that could be made in the tax appeal process. Data provided to the review team by the Passaic staff reinforces the need to aggressively pursue many of the recommended changes outlined in the Kearny report.

The City of Passaic currently has 313 tax appeals filed in the State Tax Court. Several of these cases date back to the 1992 tax year. The estimated exposure is in excess of \$6,000,000 in assessments. The exposure in terms of tax refunds has been compounded by the delays in getting these cases resolved. For example, on November 30, 1994, Passaic received the State Tax Court Judgment confirming a settlement that had been reached eighteen months earlier. In a case like this, the extended delay in receiving the judgment increased the city's total liability because of the interest that must be paid on a settlement, it is unreasonable to make any party wait eighteen months before closing a case. If nothing else, the extensive delays cause major credibility and public relations problems for the local assessors which in turn makes it difficult to settle cases in the future.

LOCAL GOVERNMENT BUDGET REVIEW

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